

Testimony

Finance, Revenue and Bonding Committee

March 9, 2015

S.B. No. 946 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE
GOVERNOR'S BUDGET.

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Senator Fonfara, Representative Berger, Ranking members Frantz and Davis, Members of the Finance Revenue & Bonding Committee, my name is John Lanza and I am a partner with the CPA firm of CohnReznick. CohnReznick is a national CPA firm, ranked #10 in the United States. Our Firm has 28 offices around the country and employs over 3,000 individuals. We have 260 employees here in Connecticut with offices in Stamford, New London and Hartford

I lead our firm's Business Incentives and Tax Credits Group. In that position, I assist companies throughout the country with obtaining incentives such as loans, grants and tax credits. Among those are a number of digital media companies here in our State that have utilized the tax credit programs to relocate here, recruit and create new jobs and expand this exciting growth industry.

I'm here today to provide testimony on the proposed changes to the digital media tax credit programs that are included in S.B. No. 946 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.

In short, the proposed changes in Sections 7, 19 and 20 of the bill will have a drastic, debilitating and negative impact on this important industry.

The proposed budget change to the percentage of tax liability, for which corporate taxpayer under Chapter 207 can annually apply tax credits, would have an immediate and adverse effect on the digital media programs - in sports, animation and other production areas -

directly impacting the ability to maintain current levels of headcount and create uncertainty for future expansion within the state.

The current law allows the transfer of credits to entities under chapters 207 and 208. Many of the companies utilizing these credits have entered into a multi-year contracts to distribute the credits earned in this program. **The proposed percentage change would terminate many of these agreements**, exposing us to uncertain marketability of the tax credits and breaking contracts between the state, companies, brokers and those who utilize the tax credit through redemption.

The current proposed change to the Corporate Tax percentage to 35% will result in the following:

- *Termination a number of agreements, resulting in uncertainty of the marketability of the credits. Given the resulting change to the business model, it will be difficult to maintain current staff and spending levels.*
- *Impede the ability to expand facilities and employment in the state, as the immediate lower transfer price for the credits, combined with the uncertain future of the marketability of the credits, will make it difficult to justify any investment.*
- *Put a number of the digital programs at risk by raising overall uncertainty in the ability to use and sell tax credits.*

The proposed change will ultimately lower the demand for tax credits, potentially driving down the market value of the credits.

I would like to reinforce to you that these programs have been very successful and have led to new companies coming into the state, tremendous job growth in an exciting new industry and put Connecticut at the forefront of digital media companies and careers throughout the world.

Changing the tax credit formulas and redemption laws will lead to an immediate problem with current contracts, create long-term uncertainty and upend one of the great Connecticut growth industries.

Thank you for the opportunity to testify today before you, I would be happy to answer any questions you may have.